



Iowa General Assembly

2006 Committee Briefings

Legislative Services Agency – Legal Services Division

<http://www3.legis.state.ia.us/ga/committee.do?id=41>

GOVERNMENT OVERSIGHT COMMITTEE

Meeting Dates: [December 13-14, 2006](#) | [October 30-31, 2006](#) | [August 21-22, 2006](#) | [July 18-19, 2006](#) | [June 26-27, 2006](#) | [May 22-23, 2006](#) | [May 15-16, 2006](#) | [May 8-9, 2006](#)

Purpose. *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us>, or from the agency connected with the meeting or topic described.*

GOVERNMENT OVERSIGHT COMMITTEE

December 13 and 14, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meeting concerned a response by the Department of Corrections (DOC) to previous testimony regarding the potential and necessity for implementation of cost savings measures and efficiencies, a semiannual update and budgetary review by the Iowa Lottery Authority, a discussion of issues causing a split among county treasurers with regard to implementation and financial management of a website established for the collection of property taxes, input from gambler's treatment program providers regarding the service contract request for proposals process, review of a staff augmentation proposal advanced by the Department of Administrative Services (DAS), and examination of issues which have arisen between Iowa Workforce Development (IWFd) and the Iowa Central Community College (ICCC).

Department of Corrections – Cost Savings Measures. Mr. John Baldwin, Deputy Director, DOC, related DOC's position regarding testimony previously provided by a former inmate identifying areas for potential cost savings at DOC institutions and assertions of offender mistreatment by DOC staff.

With reference to an issue raised about waste in DOC usage of individual salt and pepper packets, Mr. Baldwin stated that the packets are often utilized in lieu of less expensive salt and pepper shakers to reduce the likelihood of inmate salt overdosing and the potential for utilization of shakers as a weapon. Regarding an assertion that an unused boiler is sitting on the ground at the Mt. Pleasant Correctional Facility and might be better utilized, Mr. Baldwin explained that the boiler was salvaged from another institution approximately ten years ago and is utilized for spare parts needed for repairing comparable boilers at Mt. Pleasant. In connection with allegations of staff mistreatment, Mr. Baldwin indicated that there are numerous opportunities for offenders to publicize grievances, that they are supplied with a toll-free number to the Office of the State Ombudsman, that staff at all DOC facilities are trained on appropriate responses to offender aggression, and that the staff at the facility in question have addressed and refuted these particular allegations.

Mr. Baldwin additionally commented on several new DOC cost-saving initiatives, and emphasized that while DOC is a relatively expensive agency, it makes an ongoing and concerted effort to reduce costs whenever possible. Committee discussion included procedures utilized to reduce food waste and the purchase of food on the secondary market, utilization of offenders with food service backgrounds, confiscation procedures in relation to offender personal belongings, offender recidivism rates, and an update on drug possession and usage recently uncovered at the Fort Madison facility.

Iowa Lottery Update. Dr. Ed Stanek, President and Chief Executive Officer, Iowa Lottery Authority, updated the Committee on financial results for calendar year 2006, reviewed budgets for FY 2006-2007 and FY 2007-2008, and identified new games being introduced by the lottery. Dr. Stanek cited two large prizewinners during 2006 resulting in the payment of approximately \$15 million in income taxes to the state treasury, stated that the lottery experienced record sales and profits for the year, summarized the new Iowa Great Places and Lucky 7's games, and discussed the financial

and legal impact of the discontinuance of TouchPlay. He also related that lottery executives continue to closely monitor fuel prices and the expansion of casino gambling to determine their impact on lottery sales and profits, and discussed an innovative self-exclusion program.

Committee discussion included the regulation and impact of internet gambling, the extent to which problem gamblers are subject to multiple addictions, the status of a lawsuit regarding public access status for documents related to TouchPlay, and the possibility that future financial and budgetary information might be presented in a more standardized format.

County Treasurers – Interest Income and Account Ownership Issues. Ms. Mary Maloney, Polk County Treasurer, accompanied by Ms. Lana Taylor, Poweshiek County Treasurer, and Iowa State County Treasurers Association (ISCTA) members addressed the Committee concerning issues which have arisen in connection with reimbursement of interest accruing from tax and vehicle license receipt deposits and control of the account into which such deposits are made. Ms. Maloney provided background information relating to the development of a website originally intended to facilitate online payment of property taxes, indicating that she coordinated the website project from its inception; that usage of the website expanded significantly; that a decision was approved to open an interest-bearing account which ultimately accumulated over \$600,000 in interest; and that based on advice from the Polk County Attorney's Office the interest was fully distributed on a proportionate basis to each county's respective Board of Supervisors. Ms. Maloney indicated that she continues operating a website on behalf of nine counties, with the other counties opting to develop an independent website.

Members of ISCTA responded that they agree the interest has been fully distributed, but maintain that the interest-bearing account should be jointly owned and that requests for information from Ms. Maloney regarding interest accrual and disbursement were disregarded. Committee discussion centered upon the need for an independent audit conducted by the State Auditor to provide verification regarding interest accrual and disbursement, the potential for the rift among county treasurers to result in a disservice to the public, and a desire that the two factions work together to put aside their differences and move forward. It was ultimately determined that the Committee will send a letter to Ms. Maloney requesting the following information:

- Copies of the audit reports conducted by external auditors relating to interest income receipts and interest earned.
- Documentation of Polk County's costs associated with maintaining the website.
- Copies of bank account statements for the fund or funds that received receipts and reflect the interest income earned, including statements for all Polk County funds or accounts that benefited from the receipts and interest earned.
- Minutes or other documentation reflecting any related discussions between the Polk County Treasurer's Office, the Polk County Attorney's Office, and the Polk County Board of Supervisors.

Gambler's Treatment Program – Request For Proposals Process. Ms. Lisa Pierce, Central Iowa Gambling Program, Inc., Ms. Jan Meisenbach, Eastern Iowa Gambling Treatment Center, Mr. John Hostetler, President of the Iowa Council on Problem Gambling, and Ms. Julie Sheppard, Training Resources, provided input relating to the request for proposals (RFP) process utilized for FY 2006-2007 service contracts and associated interactions with the Iowa Department of Public Health (IDPH). Ms. Pierce and Ms. Meisenbach related a series of concerns centering on frustration with the contract submission process, contract rescissions requiring resubmissions without reimbursements for expenses accrued during appeals, lack of notification if previously identified concerns had been addressed, and burdensome and duplicative additional conditions upon receipt of a contract. Ms. Meisenbach inquired as to whether a subcommittee had been established by the Committee to monitor the establishment of transitional housing facilities in eastern Iowa and timing concerns previously expressed regarding the flow of funding to service providers, and was informed that it had not.

Mr. Hostetler and Ms. Sheppard, appearing on behalf of the council, presented a contrasting viewpoint. They noted that IDPH has undergone a personnel transition regarding gambler's treatment program authority and management resulting in an improved level of communication and responsiveness, indicating that while changes to the RFP process would be welcomed, they feel that existing procedures are consistently and fairly applied. They suggested that the difficulties identified by Ms. Pierce and Ms. Meisenbach may not represent the view of a majority of service providers. Committee discussion included members indicating awareness of inconsistencies in the RFP process which appear to require a solution, questions regarding the emphasis placed on eastern Iowa regarding the lack of transitional housing, and a decision to invite the Director of IDPH and a representative from the Governor's Office to an upcoming meeting to address the issues identified.

Staff Augmentation Proposal – DAS. Ms. Mollie Anderson, Director, DAS, accompanied by Mr. John Gillespie, DAS, provided information regarding a proposal to facilitate staff augmentation for information technology (IT) services by contracting with a single provider operating a vendor network. Ms. Anderson identified Computer Aid, Inc. (CAI) as the provider and related that the company had been selected and utilized by the state of Pennsylvania with reports of significant cost savings and increased involvement of women and minority-owned businesses. Ms. Anderson emphasized that utilization of CAI would be in addition to, rather than in lieu of, vendors registered on the state's invitation to qualify list; that positive feedback from Pennsylvania stakeholders internal and external to state government has been obtained by DAS staff; that a three-to-five dollar per hour charge would be paid to CAI on top of the rate charged by the network

member; that the contract would not violate any competitive bid processes; and that state agencies are projected to experience lower hourly rates, faster placement of resources, better tracking ability, and reduced administration time.

Ms. Ann Graham, American Computer Services, Inc., identified several concerns with the proposal. American Computer Services, Inc. is an existing vendor contracting with the state for IT staff augmentation, and it was Ms. Graham's impression during discussion of the proposal at a recent Technology Governance Board meeting that the proposal would likely be implemented and on a fairly rapid timeline. Ms. Graham related that Pennsylvania ultimately made utilization of the CAI network mandatory, disputed cost savings amounts, cited the potential for increased competition for Iowa businesses, and maintained there is a likelihood for hidden costs and fees.

Committee discussion echoed some of these concerns, with particular attention focused on quality of services provided by CAI contractees, duration and renewability of any agreement signed, and difficulty accepting that the increased hourly charge of three to five dollars is the primary profit realized by CAI, with additional profit potentially achieved at vendor's expense. Members acknowledged the consistent efforts put forth by DAS in identifying and implementing cost-saving strategies, and the possibility that this might encourage small businesses otherwise intimidated by the state agency invitation to qualify process to initiate a relationship. It was determined that implementation efforts by DAS would not continue until additional information relating to the financial impact of the proposal on Iowa vendors and employees is supplied by DAS to the Committee, that other vendor representatives and CAI personnel would appear before the Committee for further inquiry, and that the Committee would continue to monitor the proposal.

House Government Oversight Committee – IWFD and ICCC. Following adjournment of the Joint Government Oversight Committee, a separate meeting of the House Standing Committee on Government Oversight was held to discuss issues which have arisen between IWFD and ICCC. Mr. Dave Neil, Interim Director, IWFD, provided background information relating to the construction of a building in Fort Dodge by ICCC for the furnishing of IWFD programs. Mr. Neil indicated that a contract was signed between IWFD and ICCC containing a six-month "escape clause," and that subsequent to entering into the contract IWFD availed itself of the clause based upon funding reductions and the realization that the square footage of the building exceeded IWFD's requirements. Mr. Neil stated that he understands that ICCC is looking for tenants to lease space in the building, and that discussions between IWFD and ICCC continue. Representative Eichhorn expressed concern that the building might have been constructed with modifications conforming to IWFD specifications resulting in a potential disadvantage in trying to lease it for other uses, and expressed the hope that the two parties will continue their efforts to come to some agreement regarding utilization of at least part of the building by IWFD.

Mr. Neil also addressed the issue of the temporary closure of an IWFD office in Webster City, explaining that ICCC decided to lease space previously occupied by IWFD to another party, offered alternative space to IWFD which IWFD determined was not sufficient for its purposes, and that IWFD has secured a lease at a new location with plans to reopen its office beginning in January 2007. Mr. Neil added that IWFD incurred expenses involved in the moving of equipment and data lines, and that rent expenses at the new location will exceed the level IWFD was previously paying.

Next Meeting. This was the final meeting scheduled during the 2006 Legislative Interim. The Committee will continue meeting during the 2007 Legislative Session, which is scheduled to commence January 8, 2007. Meeting dates, times, and locations will be determined and announced.

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GOVERNMENT OVERSIGHT COMMITTEE

October 30 and 31, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The meeting was conducted as a separate meeting of the House Standing Committee on Government Oversight, with some members of the Senate Standing Committee on Government Oversight as guests. The primary focus of the meeting concerned a discussion of the process for the transfer of juveniles from county detention centers to state facilities at Eldora and Toledo, an accounting of recent employee complaints of discriminatory promotional policies at the Iowa Department of Workforce Development, an overview of the transfer of responsibility for specified mental health treatment services from the state to the county level, and an update regarding implementation of Wireless E-911 Phase II deployment.

Juvenile Transfer Process. Ms. Mary Nelson and Mr. Jim Krogman, Department of Human Services (DHS), and Ms.

Marilyn Lantz, Chief Juvenile Court Officer for the Fifth Judicial District, addressed the committee regarding procedures and issues relating to the transfer of juveniles from county detention centers to the state training schools at Eldora and Toledo. Admission criteria to the schools was summarized, with the notation that they were established several years ago in an effort to ensure that the state training schools received and served youth with relatively serious criminal backgrounds or who had previously been unsuccessfully placed in other treatment programs. It was explained that the number of available beds at the state training schools are divided between the eight judicial districts, with each district capped regarding regular commitments, that currently waiting lists for admission are not maintained, and that the eight chief juvenile court officers meet on a regular basis and have the flexibility to allocate beds between them if circumstances so warrant. Ms. Nelson indicated that the admissions process is similar at the two facilities, but that the populations served at Toledo are broader and that bed availability is tighter there. It was noted that Eldora performs approximately 120 court-ordered evaluations per year. The need for additional mental health services professionals was identified as contributing to admission delays, with only one psychiatrist currently engaged in that capacity.

Committee discussion included inquiry into the average daily costs for juveniles placed at the schools, a comparison of the costs to those in other states, responsibility for transportation costs to the facilities, housing options for juveniles awaiting admission, and the average length of stay at the facilities and percentage estimates for eventual adult prison incarceration. Discussion addressed the need to develop strategies to cope with federal law changes resulting in an increased number of required evaluations, and efforts to address the evaluation process delay currently being experienced, and it was noted that a new process for compiling and evaluating data for program assessment and accountability is currently under development.

Discriminatory Employment Practice Allegations. Ms. Beverly Clark, Ms. Ylonda Shook, and Ms. Dorothy Polk appeared before the Committee to relate allegations of discriminatory employment practices by the Iowa Department of Workforce Development (IWD). Ms. Clark stated that while employed at IWD she experienced 56 instances of being passed over for a promotion. She indicated that a customer service test was required when applying for an opening at IWD, that the test was found to be racially biased, and that the state either knew or should have known of that fact. Ms. Clark said that administration of the test was suspended for internal candidates after she voiced complaints, but continued to be utilized for external applicants for a subsequent period of time. After suspension of the test, she contended that she observed individuals with less education and experience than she possessed being promoted to positions she applied for, and that she felt discriminated against both racially and personally. Ms. Shook informed the Committee that she had taken the test on two occasions when applying for positions at IWD, and in both instances received a phone call informing her that she had not received a passing score. She stated that she subsequently learned after Ms. Clark's discrimination claim had been filed that she had successfully passed the tests. Ms. Polk explained that after serving in temporary positions at IWD her employment was terminated, despite having been told she was an excellent worker.

Committee discussion included the educational and employment histories of the women, lack of feedback regarding unsuccessful passage of the examinations and the lack of test score notification, the nature of the test and its characterization as "no wrong answer" in nature, positive performance appraisals having been received, and actions taken internally to voice their concerns. Additional discussion included the extent to which the test was administered in other departments, whether it continues to be utilized, whether state employment practices should be reexamined regarding agency discretion, the demographic make-up of IWD personnel, and job security issues relating to the allegations of discrimination.

Whistleblower Protection. Following the presentation, Mr. William Angrick, State Ombudsman, expressed concern that legislation passed during the 2006 legislative session did not extend whistleblower protection to state and local workers covered by employee unions, and encouraged putting such protection in place. Additionally, Ms. Nancy Berggren, Department of Administrative Services (DAS), responded to the inquiry regarding usage of the customer service test, indicating that the test was discontinued for internal candidates at IWD in 2002, for external candidates in 2003, was used elsewhere on a limited basis, and is not being utilized now. She outlined the general screening process for posted merit-based positions, indicating that DAS forwards a preliminary list of eligible candidates to an agency for the subsequent application of more specific criteria concerning the desired combination of education and experience sought for the particular position. The Committee requested that additional information be provided regarding the test.

Transfer of State Payment Program Cases To Counties. County Central Point of Coordination (CPC) and DHS personnel discussed concerns and issues relating to the transfer of state payment program mental health cases to counties of residence effective October 1, 2006, pursuant to legislation passed during the 2006 legislative session. Ms. Patty Erickson-Puttmann, CPC, Woodbury County, summarized CPC responsibilities, and identified as major concerns the assumed reduction in current expenditures by 10 percent through unidentified means, and the elimination of reimbursement for payment of medications after a 90-day period. She indicated that the counties do not object to the transfer of responsibility to the county level, but have significant concerns regarding the financial ramifications of the transfer. Mr. Craig Wood, CPC, Linn County, agreed that counties are not objecting to the transfer, but maintain that an insufficient amount has been appropriated, that the legislation provides that the state shall retain responsibility beyond the appropriated amount, that a funding shortfall exists, and that county management may require a supplemental appropriation to fully fund the transfer process. It was noted that a transfer implementation date of July 1, 2007, as

originally proposed, would have afforded more time to develop accurate financial estimates and identify opportunities for cost savings, that DHS has made adjustments to projected costs which differ from county estimates, and that a waiting list for state payment program clients via administrative rule has been proposed by the department in the event the program becomes fully encumbered. Services are currently being maintained. Key aspects of the current funding formula for mental health services were reviewed, with emphasis on the fact that the cap on the amount which can be raised by a county through property taxation curtails the ability by counties to recover costs, triggering reliance on the allowable growth amount or a county's unspent funding balance.

Committee discussion included the prospect of curtailing services and the order of curtailment, notification procedures when clients discontinue medication, and the prospects of a required departmental report by December 1 adequately addressing the issue.

Ms. Mary Nelson, accompanied by Mr. Jim Overland, DHS, provided background information relating to the transfer of case management to counties. Ms. Nelson summarized the process whereby transfer cost estimates were developed and modified. Mr. Overland underscored that the intent of the transfer is to provide a better and more locally administered "one-tier" system, that it is anticipated that cost-savings opportunities at the county level exist, that the 10 percent cost reduction figure is an estimate which would not be uniformly or arbitrarily applied, that actual expenditures will be reimbursed, and that the result of the transfer will be better managed as opposed to reduced cases. He maintained that the county estimates were based on historical cost figures, cited the indigent drug program as a significant savings opportunity, and emphasized that the department's intent is to proceed in partnership with counties and not leave them adversely impacted financially.

Wireless E911 Phase II Deployment. Mr. John Benson and Mr. David Miller, Department of Public Defense/Homeland Security and Emergency Management Division, updated the committee regarding implementation of the wireless E911 Phase II deployment. Mr. Benson distributed a map indicating that Phase II services facilitating the capacity to pinpoint caller location have currently been deployed in 93 counties, and that the service will be operational across the entire state by January 1, 2007. He reviewed a revenue and expenditures chart for the third quarter of 2006, discussed the upcoming establishment of links with Wisconsin and Illinois, and identified the upgrading from analog to data circuitry as a possible usage for carryover funds. Committee discussion included the merits of allocating funding for public education of the existence of Phase II capability vs. better training of dispatchers, with a lack of consistent dispatcher response identified as a problem. Mr. Miller discussed the importance of achieving communications interoperability between command centers through interconnecting technology.

Next Meeting. The committee is scheduled to meet December 13 and 14, 2006 at the Statehouse. Meeting room and times to be announced.

Legislative Services Agency Contacts: Doug Wulf, Fiscal Services, (515) 281-3250; Sam Leto, Fiscal Services, (515) 281-6764; Rick Nelson, Legal Services, (515) 242-5822

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GOVERNMENT OVERSIGHT COMMITTEE

August 21-22, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The focus of the meeting concerned continued questioning relating to the Central Iowa Employment and Training Consortium (CIETC).

Testimony. The Committee continued its inquiry relating to CIETC with testimony from the following individuals:

- **Mr. Carlton Salmons, Attorney for CIETC.** Mr. Salmons discussed his association with CIETC, provided observations regarding revisions made to CIETC bylaws, and offered recommendations for enhancing the accountability of Iowa Code section 28E organizations. In a brief opening statement Mr. Salmons clarified that he was testifying pursuant to a limited waiver of the attorney-client privilege, and was accompanied by Mr. Jonathon Wilson, attorney for CIETC, his counsel in that regard. Mr. Salmons indicated that his representation of CIETC began in 1979 and effectively ended with the drafting of a revised set of bylaws and an amended Iowa Code chapter 28E agreement in April 2002. He stated he was unaware of subsequent revisions to the bylaws conferring authority upon the chairman of the CIETC Board of Directors to establish executive salary levels and bonus payment

amounts, and upon receiving a copy of the bylaws he noted and reported that a previous compensation limitation involving a review of proposed salary levels had been deleted and a provision authorizing the chairman to approve salary levels and bonus payments had been added.

In response to Committee questions regarding measures which might be undertaken to prevent the problems which occurred at CIETC from recurring, Mr. Salmons offered several recommendations directed at the way entities created pursuant to Iowa Code chapter 28E agreements are organized and accounted for. His suggestions included a revision of Iowa Code chapter 28E to establish limitations on the authority of entities established pursuant to that chapter and enhance their accountability, and establishing a new budgeting and accounting process applicable to Iowa Code chapter 28E entities to enhance public awareness of revenue sources and proposed expenditures. He also recommended that individuals in positions of authority in Iowa Code chapter 28E entities be required to take an oath of office; that they receive education and training on their authority, fiduciary responsibilities, and the potential for conflicts of interest; that requirements for bonding and tort liability insurance be implemented; that existing requirements applicable to other forms of business entities relating to publication and reporting of proposed budgets be expanded to Iowa Code chapter 28E; that an audit of Iowa Code chapter 28E entities conducted by an attorney be periodically undertaken; and that civil and criminal penalties applicable to excessive compensation and other breaches of fiduciary responsibility be instituted. Mr. Salmons cautioned that implementation of these remedies, while helpful, will not prevent unscrupulous individuals from violating laws established for taxpayer protection.

- **Mr. Mark Wackerbarth, CPA, Denman and Company.** Mr. Wackerbarth provided input regarding accounting and auditing practices typically applied in reviewing governmental entities and explained procedures and terminology applied in the course of such reviews. Mr. Wackerbarth indicated that if an audit were to uncover irregularities in compensation or bonus payment levels, available options to the auditor would include alerting management, notifying the board of directors, and if determined appropriate, referring the matter to an investigative agency or authority in the event of board inaction. The nature of qualified versus nonqualified audit opinions was discussed, as was the question of whether the CIETC situation had generated repercussions for audits of other governmental entities.
- **Ms. Mary Gottschalk, Interim Chief Financial Officer, CIETC.** Ms. Gottschalk provided additional information identifying factors which contributed to the excessive compensation situation at CIETC. Ms. Gottschalk stated that her primary focus since joining CIETC has been maintaining the operation rather than serving in an investigative capacity, and that she has been engaged in the process of establishing employee position descriptions and addressing salary inequities in an effort to restore order and provide transparency at the request of the CIETC Board of Directors. She observed that the accounting system put in place by Ms. Deb Dessert Bargman possessed poor reporting capabilities adversely impacting the ability to cumulate various funding programs or document employee compensation and bonus payment amounts. She also observed that the same software has been utilized by other workforce development entities with better reporting capability, suggesting that the problem is attributable to the manner in which it was implemented by CIETC management. Ms. Gottschalk related that compensation level information was not available to nor discussed among CIETC staff, that employees were under the frequent impression that agency funding limitations adversely impacted salary potential, that cross-training of staff was not conducted, and that employees were discouraged from asking questions. In response to Committee inquiry, Ms. Gottschalk reviewed a series of exhibits conveying information concerning CIETC grant funding levels, consulting fees, supplemental wage and incentive pay awards and their source of payment, salary and bonus payment timing and amounts, and related information. Additionally, Ms. Gottschalk identified at least two entities having expressed interest in assuming the role of service provider, and indicated that the board has expressed a preference that the new provider retains CIETC staff members currently in place.

Committee Motion. In addition to the above discussion, the Committee unanimously adopted a motion requesting every state agency to submit a report by the regularly scheduled meeting of the Committee on September 18 and 19, 2006, containing specified information applicable to the agency for the preceding 16-year period. The requested information includes whether the agency pays any form of additional compensation above and beyond amounts received by employees as their regular compensation level and reimbursement for travel expenditures, the name of each employee receiving such additional compensation and the total amount of the additional compensation provided in the fiscal year in which such compensation was paid, the rationale for awarding the additional compensation, and the regular compensation level of each person receiving additional compensation at the time the additional compensation was received. For purposes of the motion, an "agency" includes the Iowa Lottery Authority and excludes the State Board of Regents.

Next Meetings. The Committee is scheduled to meet either September 7-8, 2006, or September 11-12, 2006 (meeting dates to be selected depending on availability of presenters), and September 18-19, 2006. The meetings will be held in

the Supreme Court Consultation Room, Room 102, at the Statehouse, and will commence at 11:00 a.m. on the first day of each two-day meeting, and at 9:00 a.m. on the second day.

Additional Information. Committee meetings involving CIETC are being recorded and can be linked via the opening page of the General Assembly Internet homepage. A website address for the recorded meetings is: http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html.

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GOVERNMENT OVERSIGHT COMMITTEE

July 18-19, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meetings concerned continued questioning relating to the Central Iowa Employment and Training Consortium (CIETC).

CIETC Inquiry. The Committee continued its inquiry relating to CIETC with testimony from the following individuals:

- **State Audit of CIETC.** Mr. David Vaudt, Auditor of State, was accompanied by Ms. Tami Kusian, Deputy Auditor of the Performance Investigation Division, State Auditor's Office. Mr. Vaudt discussed issues involving audit procedures and controls and the limits of an audit when managers conspire to deceive the auditor. Mr. Vaudt discussed the integrity of CIETC officials and the degree of oversight performed by the CIETC board of directors (board), also referred to as Local Elected Officials, and Iowa Workforce Development.

Mr. Vaudt discussed the employment in his office of Ms. Deborah Dessert, who is affiliated with the unit referred to as Professional Development. Ms. Dessert's husband is Mr. John Bargman who served as CIETC's Chief Operating Officer during the period of investigation. In response to a number of questions, Mr. Vaudt stated that Ms. Dessert's duties involved training and recruitment and that she had not been informed about the state audit of CIETC. He stated that his office is in contact with Iowa Ethics and Campaign Disclosure Board, the Iowa Accountancy Examining Board, and the American Institute of Certified Public Accountants. He noted that Ms. Dessert began working in the office in January 2005 with the understanding that she would wind up her consulting work in approximately six to 12 months. He also noted that during this period Ms. Dessert took leave without pay in order to perform consulting work which included working for CIETC. Mr. Vaudt stated that in November 2005 Ms. Dessert informed him that Mr. Bargman was the subject of an investigation. Mr. Vaudt stated that Ms. Dessert remains a paid employee of his office and that he is awaiting the results of ongoing investigations in order to take any necessary disciplinary action. Committee members doubted Ms. Dessert's testimony that she did not question Mr. Bargman's level of compensation while he served at CIETC in calendar year 2005 during the period when he earned \$152,000 in salary and \$207,000 in supplemental wage payments. Several members expressed concern about Ms. Dessert's continued employment at Office of State Auditor.

Mr. Vaudt discussed the payment of bonuses to state employees, noting that bonus payments may be an important incentive to attract and retain valuable employees. Members discussed an inquiry made to Mr. Vaudt by Ms. Cynthia Eisenhower, Chief of Staff for Iowa Governor Tom Vilsack, regarding the use of \$200,000 deposited in an economic development foundation. The moneys were designated for paying expenses associated with hosting the National Governors Association's annual summer meeting in 2005. Mr. Vaudt stated that he expressed concern about the appropriateness of using remaining moneys for the payment of bonuses. Mr. Vaudt also discussed an issue regarding the use of moneys earned from contributions made by members of the Iowa State County Treasurers Association and which are managed by Polk County pursuant to a 28E agreement (see Iowa Code Chapter 28E). Mr. Vaudt stated that according to the terms of an amended agreement, excess earnings are to be distributed to the participating counties.

- **Corporate Law Overview.** Mr. Willard L. Boyd III, a member of the Nonprofit Corporations Committee of the Business Law Section of the Iowa State Bar Association, is an attorney with the Des Moines law firm of Nyemaster,

Goode, West, Hansell & O'Brien, P.C. Mr. Boyd discussed the provisions of the Revised Iowa Nonprofit Corporation Act (RINCA) codified in Iowa Code Chapter 504 and which replaced the Iowa Nonprofit Corporation Act (INCA) codified in Iowa Code Chapter 504A. According to Mr. Boyd, RINCA incorporates many of the recent amendments to the Iowa Business Corporation Act (which includes updates to the Model Business Corporation Act) codified in Iowa Code Chapter 490. Mr. Boyd referred the Committee to a publication entitled "The Iowa Principles and Practices for Charitable Nonprofit Excellence" developed by the Iowa Governor's Nonprofit Tax Force. Mr. Boyd noted that RINCA addresses many areas relating to directors and officers that are not addressed in INCA, including duties imposed on directors and officers of nonprofit corporations. Generally, RINCA adopts the duty of care standard set forth in the Iowa Business Corporation Act (Iowa Code Sections 504.831 and 504.843). RINCA also includes a provision addressing conflict of interest transactions that is based on the provision contained in the Iowa Business Corporation Act (Iowa Code Section 504.833). Mr. Boyd noted that nonprofit corporations are also governed by Internal Revenue Service regulations governing nonprofit corporations which seek to retain a tax-exempt status under Internal Revenue Code Section 501(c)(3). In addition, a nonprofit organization is governed by the so called Sarbanes-Oxley Act (the Public Company Accounting Reform and Investor Protection Act of 2002) as enacted in Pub. L. No. 107-204, 116 Stat. 745, which sets record retention and whistleblower protection requirements for nonprofit organizations, and provides good practice for nonprofit organizations such as the requirement of an audit committee.

Mr. Boyd noted that CIETC was not organized as a nonprofit corporation but as an Iowa Code Chapter 28E organization. Mr. Boyd noted that generally under principles of common law, some duty of care and duty of loyalty exists. A duty of care involves exercising responsibilities in good faith and diligence, attention, care and skill (see Iowa Code Section 504.831) and is satisfied by attending board meetings regularly, entering discussions, reading minutes, learning about the organization's programs, maintaining a careful oversight of finances, and questioning unclear or troubling activity. A duty of loyalty involves placing the interests of the organization before a director's private interests (see Iowa Code Section 504.833). According to Mr. Boyd, conflicts of interests are managed rather than entirely avoided, approved by a vote of disinterested board members after full disclosure. He also noted that unique to directors and officers of nonprofit corporations is a duty of obedience, including by carrying out the purposes and mission of the nonprofit organization, complying with federal and state law applicable to nonprofit organizations, and complying with the organization's governing documents (articles of incorporation and bylaws).

- **Attorney General's Office.** Mr. Grant Dugdale, Assistant Attorney General in the Licensing and Administrative Law Division, representing Iowa Workforce Development, was accompanied by Mr. Eric Tabor, Chief of Staff. Mr. Dugdale noted that the federal government is implementing criminal and civil investigations of matters connected to CIETC. The Office of Attorney General is cooperating with federal authorities with the goal of facilitating the recovery process. He estimated that recovery could take up to 38 months with an amount in dispute between \$1.2 and \$1.5 million.

Specifically, Mr. Dugdale discussed two federal programs: (1) The Workforce Investment Act (WIA) funded by the United States Department of Labor and (2) The PROMISE JOBS Program funded primarily by the United States Department of Health and Human Services. According to Mr. Dugdale, each program is governed by different funding procedures and standards. He stated that WIA provides a scheme for strong local control and accountability, but does not have stringent conflict of interest prohibitions. He noted that WIA reflects strong preference for local control; without a right for strong state involvement. The membership of Local Elected Officials (in the case for Region 11, Boone, Dallas, Jasper, Madison, Marion, Story, Polk, and Warren Counties) as independent taxing authorities are solely liable for misused moneys payable from moneys not attributable to federal grants and according to a formula which prorates each member's liability. The PROMISE JOBS Program is funded as part of the Temporary Assistance for Needy Families Program which relies upon a more traditional scheme in which the State of Iowa is the grant recipient and therefore liable for mismanagement of moneys. However, under a 28E agreement between the State of Iowa and CIETC, the state is entitled to be reimbursed for misappropriated moneys by the membership of Local Elected Officials according to the same formula used to assign liability under WIA. Mr. Dugdale noted that political subdivisions may be in the best position to bring actions for indemnification against individuals involved in mismanaging moneys.

According to Mr. Dugdale, the issue of overpaid salaries will be resolved based on whether the compensation payments were reasonable. He noted that bonuses are frozen while the Des Moines Area Community College (DMACC) is temporarily managing the organization. He also commented that there is an evaluation of the CIETC compensation structure in order to establish a demonstrative factual basis for a revised compensation structure and which may involve decreasing and increasing salaries. He also noted that Iowa Workforce Development (IWD) has drafted a contract which limits reimbursement to 120 percent of an equivalent state position. Members expressed some concern that salaries not be increased at this point. Mr. Dugdale also addressed issues relating to bonds held

by individual board members, but emphasized that the political subdivisions which are members of the organization are liable for reimbursing the United States government and the State of Iowa.

- **Private Audit of CIETC.** Mr. Alan Kincheloe of the accounting firm Faller & Kincheloe, P.C., was accompanied by Mr. Roscoe A. Ries, Jr., attorney at law from the law firm Whitfield & Eddy P.L.C. Mr. Kincheloe declined to give an opening statement but answered questions from Committee members. Mr. Kincheloe referred to a letter addressed to the Committee dated May 23, 2006, which is on file with the Legislative Services Agency. He noted that Mr. Archie Brooks was the board's chairperson and discussed the appropriateness of accepting Mr. Brooks' verbal authorization as evidence of the board's approval of compensation paid to CIETC employees. He also noted that Ms. Sherry Howard, Secretary/Treasurer of the board, regularly visited CIETC offices to review and approve all invoices for payment. Mr. Kincheloe stated that personnel from his firm were at the CIETC premises in October 2005 and had interviewed Ms. Howard. He explained that the purpose of the audit was to determine the accuracy of the organization's financial statements (whether they were materially correct), and emphasized that the audit was not intended to pass judgment regarding the appropriateness of compensation paid to employees as long as the compensation amounts were recorded in the organization's general ledger, approved by the organization's board of directors, and were made in accordance with the organization's contracts. He also stated that the United States Department of Labor (DOL) had conducted an analysis of CIETC during 2004 and had reviewed a draft of employment contracts. According to Mr. Kincheloe, DOL approved a draft contract with salary amounts left blank. He also noted that his firm had confirmed with a DOL representative in a telephone interview that CIETC management was acting in accordance with federal requirements. Mr. Kincheloe stated that he did not believe that the audit had revealed improprieties necessary to notify the board or the Office of State Auditor.

Mr. Kincheloe stated that his firm was aware that compensation amounts paid to CIETC employees were high, and assumed that Mr. Brooks was authorized to approve the expenditure of supplemental wage payments to CIETC employees. He noted that employment contracts were not effective during the period of the audit. Mr. Kincheloe acknowledged that personnel from his firm did not witness Ms. Howard routinely reviewing invoices, did not verify that Mr. Brooks' signatures authorizing supplemental wage payments were genuine, did not verify that DOL had approved the compensation amounts, did not know if his firm had reviewed the organization's bylaws to determine if Mr. Brooks had the requisite authority to approve supplemental wage payments, did not aggregate the amount of supplemental wage payments received by CIETC employees, and did not raise the issue of supplemental wage payments to the board during the firm's annual report and presentation to the board. He noted that his firm had reviewed board minutes but was not certain if compensation was mentioned in the minutes. He believed that his firm may have interviewed other board members, which may have included Ms. Howard, regarding the compensation amounts paid to CIETC employees, but that he could not be certain without reviewing the firm's working documents.

- **Practices by the Secretary/Treasurer.** Ms. Sherry Howard, an administrative officer for the Story County Board of Supervisors, is designated representative serving on the board and has served as the Secretary/Treasurer for the board since January 2003. Ms. Howard stated that during the period of the investigation she spent approximately four hours a month performing her duties as a board member and officer, including the time spent attending board meetings. She stated that initially she routinely signed each invoice required to be paid, but that in July 2003 Ms. Ramona Cunningham and Mr. Bargman informed her that the State of Iowa was installing a new accounting system and that she would follow a new procedure which required her to sign a blank sheet of paper authorizing a log of payments which had already been paid, and after that time she no longer reviewed individual invoices. According to Ms. Howard, she assumed that these expenditures included operational expenses and did not include payroll payments, but believes that they may have included credit card expenses. Ms. Howard stated that it never occurred to her that the new process was inappropriate. Ms. Howard also stated that she had nothing to do with the preparation or submission of financial documents to the board which was a duty performed by Ms. Cunningham. Ms. Howard stated that she had no knowledge of employee compensation amounts and that no one had interviewed her about the practice of approving supplemental wage payments. She stated that the issue of compensation was not raised by Faller & Kincheloe, P.C., during their presentation and report to the board.
- **Financial Reforms and the Future of CIETC.** Ms. Mary Gottschalk of MCG Strategic Services provided a brief opening statement to the Committee. Ms. Gottschalk described her career positions, and stated that her firm, in cooperation with DMACC, had been retained by the board on an interim basis to review and establish accepted administrative and financial practices for the organization, including financial management and control structures. She is to receive \$7,000 per month in compensation. She estimated that CIETC currently employs 40 persons who are directly managed by the organization. Ms. Gottschalk stated that her firm is engaged in a comprehensive review and reconciliation of all salaries of CIETC positions which compares the salaries of comparable positions within IWD. Ms. Gottschalk noted that performance evaluations were irregularly conducted and often were not seriously completed.

She commented that in some cases salaries were higher than comparable positions and in other cases salaries were lower than comparable positions. Committee members discussed the appropriateness of immediately increasing position salaries. Ms. Gottschalk believed that the number of open senior managerial staff positions would be reduced.

Ms. Gottschalk also discussed CIETC's accounting program and control systems which were developed by Ms. Dessert. She commented that FundWare is a standard accounting program which could be developed to aggregate amounts for standard business categories including payroll and operational expenses, but that CIETC's system was not developed to provide those aggregate amounts, to aggregate such amounts was a time-consuming exercise, and that such a system would be difficult for an auditor to examine financial records.

Ms. Gottschalk stated that the board (Local Elected Officials) and the Regional Workforce Investment Board would meet on July 21 in compliance with a deadline set by Mr. Dave Neil, Director of IWD, who has expressed a strong desire to award a contract for the management of the PROMISE JOBS Program to CIETC under new management or another entity presumably selected through an RFP process by September 1, 2006. She noted that without the contract to manage the PROMISE JOBS Program, CIETC would no longer be a viable organization.

Procedural Business. Committee members engaged in a general discussion of the future direction of the Committee relative to CIETC. Members expressed interest in considering more information regarding the use of \$200,000 deposited in an economic development foundation to support executive branch salaries, but no decision was made.

Additional Information. Committee meetings involving CIETC are recorded, and can be linked via the opening page of the General Assembly's Internet homepage. The website address for the meeting recordings is: http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html.

Next Meeting. The meetings scheduled for Monday, July 24, and Tuesday July 25, 2006, and Monday, July 31, and Tuesday, August 1, 2006, were canceled. The next meeting is scheduled for Monday, August 14, and Tuesday, August 15, 2006.

LSA Contacts: Rick Nelson, Legal Services, (515) 242-5822; Doug Adkisson, Legal Services, (515) 281-3884; Doug Wulf, Fiscal Services, (515) 281-3250; Sam Leto, Fiscal Services, (515) 281-6764

Internet Page: <http://www3.legis.state.ia.us/ga/committee.do?id=41>

GOVERNMENT OVERSIGHT COMMITTEE

June 26-27, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meetings concerned continued questioning relating to the Central Iowa Employment and Training Consortium (CIETC).

CIETC Inquiry. The Committee continued its inquiry relating to CIETC with testimony from the following individuals:

- **Program Operations.** Mr. Jack Cline, Operations Program Manager for CIETC, who was accompanied by Ms. Deborah M. Tharnish acting as CIETC's legal counsel. Mr. Cline declined to provide an opening statement and answered a number of questions from Committee members. Mr. Cline described various duties that he had performed during his career at CIETC, and noted that he currently oversees the delivery of program services and program evaluations. Mr. Cline discussed CIETC responsibilities, including the hosting of job fairs and sponsoring job training. Mr. Cline described CIETC's relationship with Iowa Workforce Development in providing employment and training services and programs, including programs under the Workforce Investment Act (under the United States Department of Labor) programs commonly known as the Youth Program and the Dislocated Worker Services Program as well as the PROMISE JOBS Program (under the United States Department of Health and Human Services). He discussed tracking employment, and the degree to which employers rely upon CIETC services. He noted that CIETC employed approximately 70 persons and discussed state and federal funding sources used to support employee salaries and supplemental payments. Mr. Cline stated that he did not have direct knowledge of any abuses occurring at CIETC, and could not comment upon a number of questions regarding budget or personnel practices. Mr. Cline noted that the position held by Ms. Ramona Cunningham, CIETC's former Chief Executive

Officer and Mr. John Bargman, CIETC's former Chief Operating Officer, are currently vacant, and referred the Committee to Mr. Doug Williams, Vice President of Business Services for Des Moines Area Community College who is carrying out CIETC administrative duties under a special agreement. He explained that CIETC's Board of Directors, also referred to as local elected officials, had regularly met in joint session with the Regional Workforce Investment Board for Region 11 and discussed issues involving possible conflicts of interest.

- **Accounting Practices.** Ms. Tammy Higar, Administrative Assistant for CIETC, was also accompanied by Ms. Tharnish. Ms. Higar declined to provide an opening statement and answered a number of questions from Committee members. Ms. Higar described her duties at CIETC, which included keeping payroll records and processing salary and supplemental payments to CIETC employees under the direction of Ms. Cunningham or Mr. Bargman. Ms. Higar stated that she has been interviewed by federal and state enforcement agencies, including the Federal Bureau of Investigation. She discussed her working relationship with Ms. Karen Tesdall (Chief Accountant) and Ms. Sherry Howard (Board Secretary/Treasurer); her change in duties when Mr. Bargman assumed supervisory duties; the installation of a new electronic accounting program which became operational in July 2003; and routine and extraordinary CIETC accounting practices during the period under review, including the use of signature stamps used to authorize the payment of supplemental payments, and Ms. Cunningham's use of a credit card in the name of board member Mr. Tom Vlassis which was sometimes paid late using CIETC funds. Ms. Higar stated that disciplinary action had been taken against her as a result of once discussing salary and supplemental payment practices (a five-day suspension), and understood that she would be subject to further employment sanctions if she continued to raise questions regarding payments. Ms. Higar stated her impression that supplemental payments were made based on favoritism, decisions regarding supplemental salary payments were confidential and informal, and that she was not aware of objective criteria used to support the timing or amount of supplemental payments. Ms. Higar stated that payments were authorized by letters purportedly signed by Mr. Archie Brooks, who served as the board's chairman. She also noted that a person was enrolled in CIETC's health insurance plan although the person did not meet necessary qualifications. Ms. Higar stated that the working atmosphere at CIETC has dramatically improved, and stated that she continues to believe in its mission.
- **Administrative Practices.** Ms. Diane Bolden, Administrative Assistant for CIETC, was also accompanied by Ms. Tharnish. Ms. Bolden declined to provide an opening statement and answered a number of questions from Committee members. Ms. Bolden stated that she served as Executive Secretary to Ms. Cunningham and described her working relationship with Ms. Cunningham. According to Ms. Bolden, she routinely prepared minutes for the board, and stated that Ms. Cunningham directed her to correct or change the minutes of board meetings, including by listing absent members as present. She also stated that she amended board bylaws which did not receive board approval. She discussed the removal of a board policy prohibiting nepotism, and discussed the practice of nepotism at CIETC. Ms. Bolden noted that board meetings frequently lasted for not more than 20 minutes, but commented that recently meetings have lasted much longer. She briefly discussed functions performed by CIETC, stating that it assists a number of employers rather than a few large employers, and stated her belief that it does not provide duplicative services. In response to a question, Ms. Tharnish responded that the board has not determined whether it will seek to recover moneys paid to CIETC executive officers. The Committee discussed how appointments to regional workforce investment boards are made, the qualifications of members, and the retention of members. Ms. Bolden discussed the process of approving supplemental payments which were approved by Mr. Brooks based upon a board reauthorization, although Ms. Bolden questioned whether the board had previously granted the original authorization.
- **Ethics Procedures and Policies – Recommendations.** Mr. Charlie Smithson, Executive Director and Legal Counsel, Ethics and Campaign Disclosure Board, discussed ethics procedures and policies which could avert the development of situations similar to CIETC in other agencies, and proposed related legislative changes. Mr. Smithson indicated that CIETC does not fall under the purview of the board, which pursuant to Iowa Code Chapter 68B oversees the Executive Branch. He stated that one meeting has been held with the State Auditor's Office regarding the potential conflict of interest posed by the employment of Ms. Deb Dessert Bargman by the office and her contractual relationship with CIETC, and that a follow-up meeting will be scheduled. He related discussions with Iowa Workforce Development regarding procedures in place for terminated CIETC employees seeking unemployment compensation; monthly meetings with the State Ombudsman's Office in an effort to enhance coordination between that office and the board; and the review of existing administrative rules and the establishment of new ones relating to use of confidential information, misuse of public property, abuse of office, and conflicts of interest. Mr. Smithson indicated that he continues to monitor the CIETC situation from an ethics standpoint. He identified as potential legislative changes extension of ethics jurisdiction to intergovernmental arrangements entered into under Iowa Code Chapter 28E or at least a clarification of the legal status of quasi-governmental entities relating to ethics, development of uniform conflict of interest standards, refinement of nepotism provisions in Iowa Code Chapter 71 and consideration of non-family relationships, and increased education and training for new members joining boards and commissions. Committee discussion included a request for legislation prohibiting the payment of bonuses to state employees and Iowa Code Chapter 28E entities, whether the subpoena deadline contained in the resolutions passed during the 2006 Legislative Session conferring authority to the Senate and House standing

committees on Government Oversight regarding the CIETC investigation are workable or should be extended, creation of a training manual for new board members, and the need to balance increased board member accountability while not discouraging participation.

Procedural Business. Committee members engaged in a general discussion of the future direction of the Committee relative to CIETC, proposed timelines regarding concluding the investigation, assessment of the amount of information obtained thus far and possible investigation outcomes, and upcoming agendas. The Committee then moved into a closed session for a discussion with legal counsel retained by the respective political party caucuses.

Additional Information. Committee meetings involving CIETC are being recorded, and can be linked via the opening page of the General Assembly's Internet homepage. The website address for the recorded meetings is: http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html

Next Meeting. The meeting scheduled for Monday, July 10, 2006, was canceled. The next meeting is scheduled for Tuesday, July 18, 2006, at 11:00 a.m. and Wednesday, July 19, 2006, at 9:00 a.m. at the Statehouse.

LSA Contacts: Rick Nelson, Legal Services, (515) 242-5822; Doug Wulf, Fiscal Services, (515) 281-3250; Sam Leto, Fiscal Services, (515) 281-6764

Internet Page: <http://www3.legis.state.ia.us/ga/committee.do?id=41>

GOVERNMENT OVERSIGHT COMMITTEE

May 22-23, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meeting concerned continued questioning relating to the Central Iowa Employment and Training Consortium (CIETC), a summary and historical overview of Iowa Lottery Authority legislation, an analysis of soil and water conservation district competitive practices, and updates regarding the Gamblers' Treatment Assistance Program, the Grants Enterprise Management System, and E911 Wireless Surcharge revenues and expenditures.

Gamblers' Treatment Assistance Program Update. Ms. Janet Zwick, Iowa Department of Public Health, provided an update regarding the level of gambling treatment funding and expenditures for fiscal year 2006-2007. Ms. Zwick indicated that approximately \$1.0 million in carryover funding is presently available, compared to approximately \$1.5 million for fiscal year 2004-2005. She summarized the status of requests for proposals (RFPs) issued by the department, including the rationale for the recision and subsequent reissuing of one of the RFPs. Committee discussion included promptness of reimbursement payments, application of a sliding fee for participation in the program, marketing efforts, and the interaction of gambling treatment and substance abuse treatment programs.

Iowa Lottery Authority. Mr. Ed Cook, Legislative Services Agency, provided a legislative history relating to the establishment of the Iowa Lottery Authority, and discussed its impact on the games authorized to be offered by the authority to the public. Mr. Cook explained that the Iowa Lottery was first established in May 1985 as a division of the Department of Revenue and Finance, and that during the 2003 Legislative Session, legislation was enacted in the form of an amendment that created the Iowa Lottery Authority by striking Code Chapter 99E and replacing it with new Code Chapter 99G. Mr. Cook contrasted the authority of the Lottery as it existed prior to the 2003 amendment as a division of the Department of Revenue and Finance with that existing after the amendment as an independent authority within the executive branch, highlighting independent budgeting authority; FTE determination and compensation authority by the chief financial officer; bonding authority, property acquisition, and the ability to incur debt; and game-specific changes. Committee discussion included questions regarding the origin and timing of the 2003 amendment, and responsibility for the interpretation of "game" leading to the recent TouchPlay debate and 2006 legislative action.

Soil and Water Conservation District Competition With Small Business – Citizens' Aide/Ombudsman's Office. Mr. William Angrick, Citizens' Aide/Ombudsman, accompanied by Ms. Kristie Hirschman, Assistant for Small Business, Office of Citizens' Aide/Ombudsman, presented and summarized a report stemming from an inquiry regarding county soil and water conservation district competitive practices concerning the sale of products and services. Four counties were identified by small business owners as placing them at a competitive disadvantage, with a primary issue involving the extent to which potential consumers were informed that private industry alternatives existed. The report determined that competition between districts and private contractors varies significantly between districts, that inherent advantages may be observed favoring the districts but that generalizations to all 100 districts in the state are difficult to make, that other states have similar practices regarding districts selling services and products, and that the proliferation of nonprofit groups offering the same products and services also generates potential competition. Several possible recommendations were advanced by the office based on the report. Ms. Deb Ryan, Executive Director for Conservation Districts of Iowa, and Mr. Dan Brouse and Mr. Jon Judson, private contractors, provided commentary.

Grants Enterprise Management System (GEMS) Update. Ms. Kathy Mabie, GEMS, provided an update regarding the system. Ms. Mabie summarized recent grant training opportunities, competitive grant activity, and discussed legislative implementation efforts to ensure that state agencies are "grant ready" and to provide technical assistance to such agencies relating to grant identification and application. Ms. Mabie also discussed the 2006 Iowa Grant Symposium to be held on August 16, 2006, and the status of developing a new database.

E911 Wireless Surcharge Update. Ms. Jennifer Acton, Legislative Services Agency, discussed the first quarterly report for calendar year 2006 issued by the Office of Homeland Security and Emergency Management Division concerning E911 wireless surcharge revenue and expenditures. Committee discussion centered upon the necessity for the surcharge increase in light of a carryover balance, and commentary by Mr. John Benson, E911 Program Manager, concerning the system's current technology level and future technological capacity. The Committee passed a motion requesting the Legislative Council to recommend that unless approved by the Committee, none of the funds in the carryover balance generated by E911 wireless surcharge revenue or additional funds placed in that account shall be expended for any purpose other than for completion of the Phase 2 upgrade by the Office of Homeland Security and Emergency Management Division, pending additional consideration of the surcharge level and related issues during the 2007 Legislative Session.

CIETC Inquiry. The Committee continued its inquiry relating to CIETC with testimony from the following individuals:

- **Mr. Dan Albritton, former CIETC Board Member.** Mr. Albritton appeared in response to a subpoena issued by the Committee, and was accompanied by his attorney, Mr. Paul Scott. Mr. Albritton declined to answer questions from Committee members, asserting his constitutional right against self-incrimination under the Fifth Amendment. Mr. Scott stated that while Mr. Albritton was not the target of a criminal investigation, he had been contacted by the United States Attorney's Office, and that other state and federal agencies are conducting an investigation in relation to CIETC.
- **Ms. Sherry Howard, Secretary-Treasurer, CIETC Board.** Areas of Committee inquiry and commentary by Ms. Howard included her background, length of service on the board, responsibilities as Secretary-Treasurer, and observations regarding board operation under various former directors. Ms. Howard indicated her perception was that CIETC was running smoothly, that she was not responsible for check signatures until after the resignation of Mr. Archie Brooks in April 2006, that her position as Secretary-Treasurer was primarily just a title, that the Executive Board had not met during the preceding three-year period, and that she felt encouraged by the recent involvement of Des Moines Area Community College in administering CIETC and engagement of a financial consultant.
- **Mr. J. Karnale Manuel, Chairperson, Regional Workforce Investment Board (RWIB).** Areas of Committee inquiry and commentary by Mr. Manuel included his position on the RWIB board and as a law professor, the nature of RWIBs, interaction of the RWIB with CIETC, and federal and state funding streams. Mr. Manuel indicated that his interactions with CIETC were satisfactory and that contracts with CIETC were accordingly renewed.
- **Mr. Alan Kincheloe, Certified Public Accountant, Fallner and Kincheloe, P.C.** Areas of Committee inquiry and commentary by Mr. Kincheloe included the circumstances leading to his firm's engagement to perform three annual independent audits of CIETC, the rendering of an unqualified opinion for CIETC and the factors which lead to such an opinion, and concerns regarding compensation levels and CIETC's response. Mr. Kincheloe discussed receiving copies of the employment contracts issued for Mr. John Bargman and Ms. Ramona Cunningham, and described his perception of a three-tiered approval system involving the independent CIETC board, Iowa Workforce Development, and the Department of Labor. He also identified an ongoing involvement by Mr. Bargman's wife in a consultant capacity with CIETC.

Procedural Aspects. The Committee discussed upcoming schedules, requested an updated list of scheduled presenters, and reviewed authorization by both standing committees to retain legal counsel conferred by resolution passed during the 2006 Legislative Session.

Additional Information. Committee meetings involving CIETC are being recorded, and can be linked via the opening screen of the General Assembly's internet homepage. The website address for the recorded meetings is:

http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html.

Next Meeting. The Committee is scheduled to meet June 19 and 20, 2006, in Room 102 at the Statehouse. The meeting will commence at 11:00 a.m. on June 19, and 9:00 a.m. on June 20.

LSA Contacts: Rick Nelson, Legal Services, (515) 242-5822; Doug Wulf, Fiscal Services, (515) 281-3250; Sam Leto, Fiscal Services, (515) 281-6764

Internet Page: <http://www3.legis.state.ia.us/ga/committee.do?id=41>

GOVERNMENT OVERSIGHT COMMITTEE

May 15-16, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meeting concerned questioning directed at former and present Central Iowa Employment and Training Consortium (CIETC) Board members and Department of Workforce Development personnel, and a discussion regarding additional funding for the Office of State Ombudsman based upon accountability legislation passed during the 2006 Legislative Session.

Committee Inquiry.

- **Mr. Tom Vlassis, former CIETC Board member.** Areas of inquiry by Committee members and commentary by Mr. Vlassis included his background and length of service on the CIETC Board, appointment to the board through the Des Moines City Council, the number of other boards he has been associated with, the interpretation of his role on the board as primarily that of a "rubber stamp" rather than an in-depth oversight function based on observation of how the board appeared to operate, awareness of the 2004 Department of Labor audit and uncertainty as to why no action was taken based on its findings, inability to recall board approval or reconfirmation of Mr. Archie Brooks' sole authority to sign off on bonus payments, and his trust that CIETC management was operating in an above-board capacity. Additional discussion included Mr. Vlassis' resignation based upon the notoriety the situation was receiving and his discomfort with the problems uncovered and direction of the board; his assistance in CIETC receiving matching funds from the city of Des Moines; travel to Washington, D.C., to discuss CIETC with legislators; and the status of CIETC as an intergovernmental agency and repayment responsibilities of agencies involved. Mr Vlassis indicated that he did not possess sufficient information or involvement with CIETC to speculate on ultimate responsibility for the salary and bonus payment concept and schedule.
- **Mr. John Mauro, former CIETC Board member.** Areas of inquiry by Committee members and commentary by Mr. Mauro included, as with Mr. Vlassis, background and length of service on the CIETC Board, other boards Mr. Mauro has been associated with, and a similar conception that financial matters including salaries and bonus payments were primarily the purview of the Department of Workforce Development and CIETC management. Mr. Mauro's relationship to other Mauro family members and their employment in two local insurance agencies was reviewed; the involvement of one of those agencies in writing health insurance, but not life insurance, for CIETC was clarified; his lack of success in obtaining copies of CIETC Board meeting minutes was noted; and a general lack of awareness regarding bonus payments, affiliation of other board members with CIETC, and the extent of Mr. Brooks' authority was acknowledged. Mr. Mauro indicated that although he initially felt it appropriate to resign from the board, he now regrets that decision and feels he could have provided assistance as the board attempts to regroup, and that, as Mr. Vlassis indicated, he did not have sufficient information or involvement with CIETC to speculate on ultimate responsibility for the salary and bonus payment concept and schedule.
- **Mr. Anthony Dietch, Division Administrator, Department of Workforce Development.** Mr. Dietch presented a statement to the Committee highlighting his professional background, job responsibilities in the Division of Workforce Center Administration at Iowa Workforce Development, current administrative leave status and related frustration, his perspective that commitment to customer service was discarded by CIETC upper management in favor of personal gain, the failure of the CIETC Board and leadership to provide oversight, and a similar attitude of complacency apparent on the part of the Regional Workforce Investment Board. Mr. Dietch concluded his statement with the recommendations that local boards hire independent staff to perform oversight, that budgetary information should be provided to state and local oversight entities and to the general public, and that funding allocations could be made on a two-year basis with carryover capacity after the first year.

In response to Committee inquiry regarding his recollection of the November 8 and 9, 2005, departmental meetings regarding the investigation into CIETC salary levels, Mr. Dietch summarized the meetings as resulting in Ms. Jane Barto placing Mr. Ervin Fett in charge of the investigation in place of Mr. Kelly Taylor, communication with the U.S. Department of Labor and a perceived discouragement of their continued involvement pending the Department of Workforce Development's own investigative efforts, a desire to get the matter quickly resolved, and the reliance of CIETC upper management on their employment agreements and previous Department of Labor audits as supporting the salary levels. Discussion included the 2004 Department of Labor audit not being brought to Mr. Dietch's attention, his perception that the excessive salary and bonus payments adversely impacted client services, CIETC cost levels relative to other areas of the state, the distribution stream of federal funding to CIETC, the extent to which his degree of responsibility for personal oversight is mitigated by the local control nature of the program, and his speculation that the question of ultimate responsibility for the salary and bonus payment amounts and frequency might be motivated by a desire to enhance salary levels prior to retirement.

- **Mr. Ervin Fett, Division Administrator, Department of Workforce Development.** Areas of inquiry by Committee members and commentary by Mr. Fett included his professional background and work experience in the Department of Management prior to joining the Department of Workforce Development, current job responsibilities and the extent to which financial oversight of CIETC was or should have been involved, and a less-detailed recollection of

the November 2005 meetings as primarily consisting of an instruction by Ms. Barto that he forward information supplied by CIETC to the Department of Labor.

- **Mr. Dave Reed, Chairperson, CIETC Board.** Areas of inquiry by Committee members and commentary by Mr. Reed included his prior and current status on the board, functioning of the board in the wake of the CIETC investigation, the lack of awareness by the board's Executive Committee relating to salary levels and bonuses, and questions concerning IPERS retirement calculation adjustments. Mr. Reed concurred that board members essentially operated in a "rubber stamp" capacity, welcomed legislative efforts to address the situation, predicted improved board functioning across a wide spectrum based on the CIETC investigation, and expressed support for the idea of turning over CIETC agency operation to the Des Moines Area Community College.
- **Office of Citizens' Aide/Ombudsman.** Mr. William Angrick, State Ombudsman, presented copies of the office's current budget request for fiscal year 2006-2007, and a proposed additional request reflecting the addition of three dedicated personnel at a cost of approximately \$280,000 based on accountability legislation passed during the 2006 Legislative Session. Committee discussion included the need to be able to adequately respond to whistleblower input from the outset versus uncertainty as to a projected number of such requests. It was determined that additional review and consideration is appropriate.

Procedural Aspects. In addition to a general discussion of upcoming schedules and the need for adequate agenda notification, a request was made to add Mr. Dave Reed and Des Moines Area Community College officials to an upcoming agenda to discuss assistance efforts for Whirlpool employees.

Additional Information. Committee meetings involving CIETC are being recorded, and can be linked via the opening page of the General Assembly's Internet homepage. A website address for the recorded meetings is: http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html

Next Meetings. The Committee is scheduled to meet May 22-23, 2006, in the Supreme Court Chamber of the Statehouse. The meeting will commence at 11:00 a.m. on May 22 and at 9:00 a.m. on May 23.

LSA Contacts: Rick Nelson, Legal Services, (515) 242-5822; Doug Wulf, Fiscal Services, (515) 281-3250; Sam Leto, Fiscal Services, (515) 281-6764

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GOVERNMENT OVERSIGHT COMMITTEE

May 8-9, 2006

Co-chairperson: Senator Thomas Courtney

Co-chairperson: Senator Ron Wieck

Co-chairperson: Representative Dwayne Alons

Overview. The primary focus of the meeting concerned a third day of questioning directed at Mr. John Bargman, former Chief Operating Officer for the Central Iowa Employment and Training Consortium (CIETC), and questioning directed at Ms. Karen Tesdell, former Chief Accountant for CIETC.

Committee Inquiry.

- **John Bargman.** Areas of inquiry by Committee members included how bonus payments were established, authorized, and historically paid out, how it was determined if adequate funding for the payments was available, whether the level of service provided to CIETC clients was impacted, a listing of "unknown" employees in the State Auditor's report, relatively high bonus payment amounts to certain employment specialist positions at CIETC, board member involvement with CIETC and the existence and removal of a nepotism policy, travel expense approval and reimbursement procedures and amounts, insurance benefits, and lease expenses for relocated CIETC office space. Committee members requested that a listing of CIETC employees at lower levels than Mr. Bargman and Ms. Cunningham receiving substantial bonuses, and a copy of the Personnel Policy Handbook, be obtained from CIETC. Mr. Bargman reiterated earlier testimony that bonus payment scheduling and amounts were established by Ms. Ramona Cunningham and approved by Mr. Archie Brooks without Mr. Bargman's involvement, and that his primary concern with regard to the payments was whether sufficient funds were available to cover the payments.
- **Karen Tesdell.** Areas of inquiry by Committee members included Ms. Tesdell's employment and compensation history, her accounting experience, her responsibilities at CIETC, timesheet and payroll authorization procedures and personnel responsible for the authorization, bonus and regular compensation check issuance and timing, life insurance coverage and beneficiary designation, Ms. Tesdell's personal opinion as to who might be responsible for the decision to distribute the frequent high bonus payments, the fact that she did not receive a copy of the 2004 State Auditor's report, her recollection of the circumstances surrounding the June 30, 2005, payment of \$200,000 for bonus payments, rationale for her decision not to voice concern relating to bonus payment frequency and amounts,

her recent retirement and a delay in IPERS approval on the part of CIETC, the contract with Mr. Bargman's spouse to establish a new accounting software system, and the various sources of funding flowing into CIETC. Committee members requested that the payroll clerk for CIETC be added to the list of individuals slated to appear before the Committee.

Procedural Aspects. The Committee discussed alternative scheduling possibilities for meetings during the 2006 legislative interim, eventually scheduling meetings for the succeeding two weeks with future meetings to be determined after evaluation of where the Committee stands at that point. Committee members adopted an amendment to rules regarding quorum requirements but rescinded the amendment at the May 15 meeting.

Additional Information. Committee meetings involving CIETC are being recorded, and can be accessed via the opening page of the General Assembly's Internet homepage. The website address for the recorded meetings is: [http://www4.legis.state.ia.us/lfb/SubCom/related links/Oversight_Recordings.html](http://www4.legis.state.ia.us/lfb/SubCom/related_links/Oversight_Recordings.html).

Next Meetings. The Committee is scheduled to meet May 15-16, and May 22-23, 2006, in the Supreme Court Chamber of the Statehouse. The meeting will commence at 11:00 a.m. on May 15 and 22, and 9:00 a.m. on May 16 and 23.

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